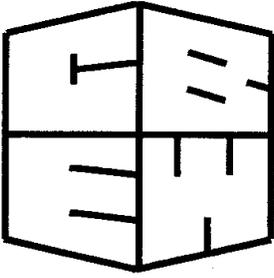


**CITY OF PERRY, OKLAHOMA
PERRY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

November 15, 2016

Honorable City Council
City of Perry
Perry, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Perry Municipal Hospital Authority, the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Perry Municipal Hospital Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

City of Perry
November 15, 2016

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Perry, Oklahoma, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension exhibits on pages 3 – 10 and 40 – 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

Our discussion and analysis of the City of Perry's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, the assets of the City exceeded its liabilities by \$15,439,396 (net position) compared to \$15,895,394, noting a slight improvement over prior year.
- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$12,033,897 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$3,043,616 which consist mainly of restricted investment accounts related to the outstanding debt held by the City.
 - (3) Unrestricted net position of \$361,883 may be used to meet the City's ongoing obligations to citizens and creditors.
- After transfers of \$3,824,528 from business-type activities to governmental activities, net position of governmental activities increased \$1,792,696 or 21%, and net position of business-type activities decreased \$2,248,694 or 31%. Overall the health of the City improved when compared to prior year by \$455,998 or 3% over prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The Perry Municipal Hospital Authority is a separate legal entity which operates independently and provides services directly to the citizens though the City remains accountable for their actions. As such, the Perry Municipal Hospital Authority is reported separately from the primary government though included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position remained consistent between fiscal years 2015 and 2016, noting a \$455,998 or 3% decrease. The following table provides a summary of the City's net position at June 30:

	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2016	2015	2016	2015	2016	2015		
Current assets	\$ 3,430,361	\$ 3,386,255	\$ 11,839,756	\$ 7,010,299	\$ 15,270,117	\$ 10,396,554	\$ 4,873,563	47%
Non-current assets	-	51,937	-	65,053	-	116,990	(116,990)	100%
Capital assets, net	9,788,117	7,914,860	9,437,204	10,201,140	19,225,321	18,116,000	1,109,321	6%
Total assets	13,218,478	11,353,052	21,276,960	17,276,492	34,495,438	28,629,544	5,865,894	20%
Deferred outflows	549,951	35,593	-	-	549,951	35,593	514,358	100%
Current liabilities	365,527	273,587	2,326,954	2,267,462	2,692,481	2,541,049	151,432	6%
Non-current liabilities	2,092,712	1,860,744	13,906,635	7,716,965	15,999,347	9,577,709	6,421,638	67%
Total liabilities	2,458,239	2,134,331	16,233,589	9,984,427	18,691,828	12,118,758	6,573,070	54%
Deferred inflows	914,165	650,985	-	-	914,165	650,985	263,180	100%
Net position								
Net investment in capital assets	7,013,117	8,148,140	5,020,780	1,421,737	12,033,897	9,569,877	2,464,020	26%
Restricted	2,265,333	2,440,114	778,283	1,058,378	3,043,616	3,498,492	(454,876)	-13%
Unrestricted	1,117,575	(1,984,925)	(755,692)	4,811,950	361,883	2,827,025	(2,465,142)	-87%
Total net position	\$ 10,396,025	\$ 8,603,329	\$ 5,043,371	\$ 7,292,065	\$ 15,439,396	\$ 15,895,394	\$ (455,998)	-3%

The City reported positive balances in net position for both governmental and business-type activities. Total assets for the City increased over \$5.8 million dollars resulting from the issuance of the 2015 Series and the 2016 Series bonds, both issued during the fiscal year. Bond proceeds are used for capital improvements. At June 30, 2016, approximately \$7m of the proceeds remained unspent, contributing to a majority of the increase in assets for the City.

Correspondingly, liabilities increased by the issuance of \$7,465,000 in bond debt, offset by scheduled payments during the fiscal year. Additionally, there was an increase in the pension liabilities of the City of approximately \$300,000. The impact of the debt issued by the City had a neutral impact on the City's June 30, 2016 statement of net position. Overall, the City's financial position remained consistent year over year.

Changes in Net Position

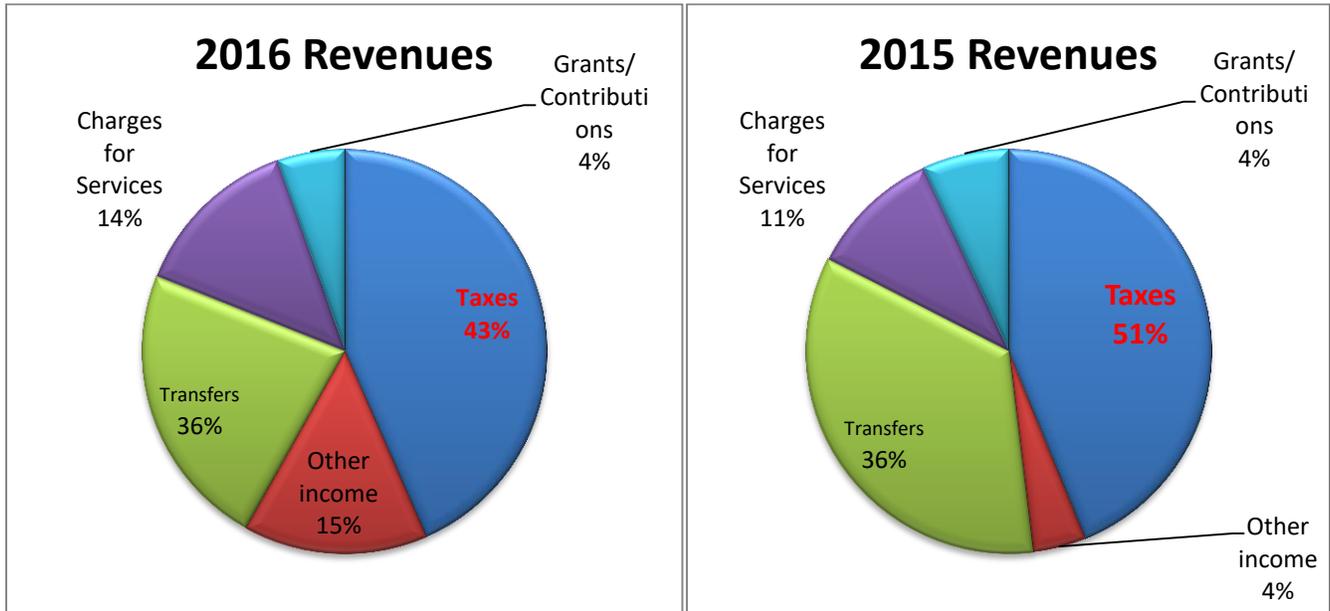
For the year ended June 30, 2016, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2016	2015	2016	2015	2016	2015		
Revenues								
Program revenues	\$ 1,115,717	\$ 1,071,047	\$ 11,008,827	\$ 11,629,720	\$ 12,124,544	\$ 12,700,767	\$ (576,223)	-5%
Taxes and other general revenues	2,933,419	2,945,316	56,819	76,474	2,990,238	3,021,790	(31,552)	-1%
Total revenues	4,049,136	4,016,363	11,065,646	11,706,194	15,114,782	15,722,557	(607,775)	-4%
Expenses								
General government	799,740	830,067	-	-	799,740	830,067	(30,327)	-4%
Public safety and judiciary	2,256,261	2,026,597	-	-	2,256,261	2,026,597	229,664	11%
Transportation	1,050,001	874,211	-	-	1,050,001	874,211	175,790	20%
Cultural, parks, and recreation	634,668	618,135	-	-	634,668	618,135	16,533	3%
Cemetery	227,475	131,724	-	-	227,475	131,724	95,751	73%
Ambulance	725,007	685,962	-	-	725,007	685,962	39,045	6%
Economic development	387,816	181,785	-	-	387,816	181,785	206,031	113%
Electric	-	-	5,517,377	5,687,461	5,517,377	5,687,461	(170,084)	-3%
Water	-	-	1,770,439	1,779,638	1,770,439	1,779,638	(9,199)	-1%
Sewer	-	-	589,130	453,084	589,130	453,084	136,046	30%
Sanitation	-	-	464,781	463,816	464,781	463,816	965	0%
Airport	-	-	634,530	492,623	634,530	492,623	141,907	29%
Customer service	-	-	513,555	514,469	513,555	514,469	(914)	0%
Total expenses	6,080,968	5,348,481	9,489,812	9,391,091	15,570,780	14,739,572	831,208	6%
Excess (deficiency) before transfers	\$ (2,031,832)	\$ (1,332,118)	\$ 1,575,834	\$ 2,315,103	\$ (455,998)	\$ 982,985	\$ (1,438,983)	-146%
Transfers	3,824,528	2,108,084	(3,824,528)	(2,108,084)	-	-	-	0%
Increase (decrease) in net position	\$ 1,792,696	\$ 775,966	\$ (2,248,694)	\$ 207,019	\$ (455,998)	\$ 982,985	\$ (1,438,983)	-146%

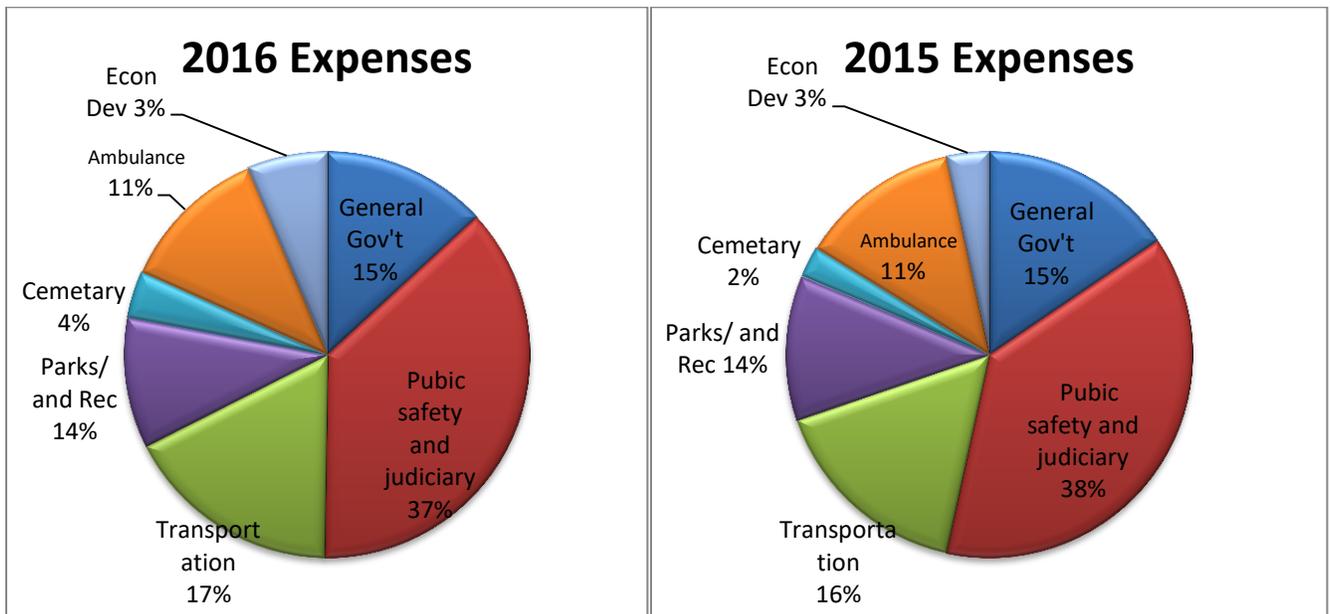
Total revenues for the City remained consistent between years, noting a minor decrease of 1% year over year. Program revenues noted a 5% decline resulting from the timing of grants funds received in fiscal year 2015 related to sewer improvements. Taxes and general revenues noted a 15% increase over prior year which is a direct result of the change in pension obligations.

Operating expenses increased slightly year over year, noting a 6% change. Expenses did shift between departments, mainly the result of overtime and depreciation related to ballpark assets put in service during the fiscal year. The consistency in expenses for the City is a function of strict budgeting and adherence to established management goals during the fiscal year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



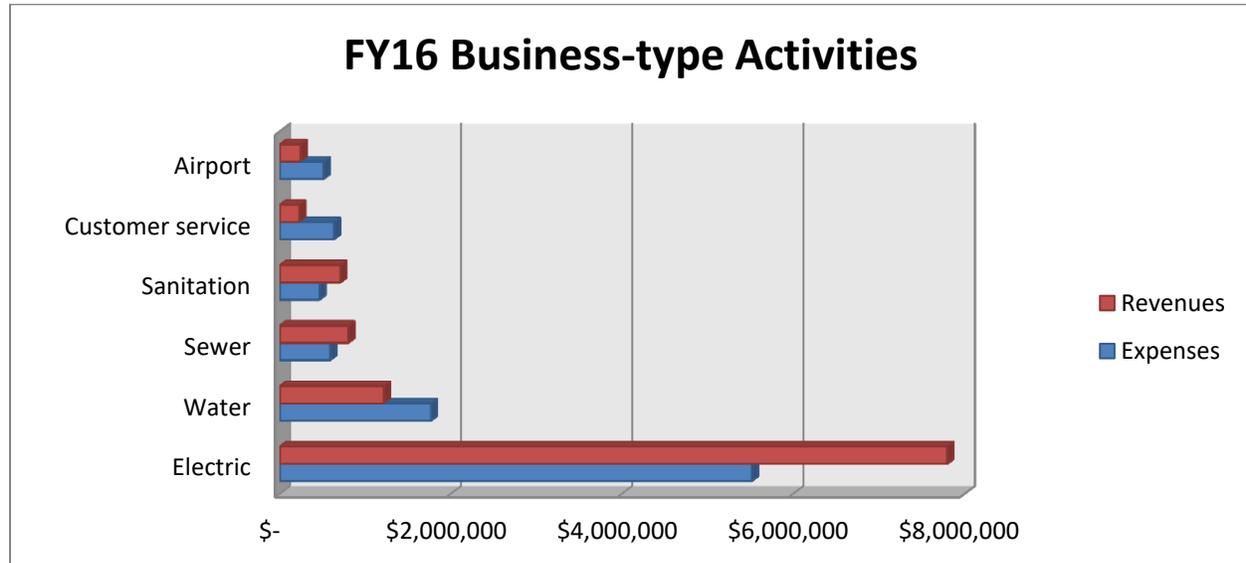
Taxes provided for 43% of the City's governmental revenues in fiscal year 2016, which is consistent between fiscal years. Other income noted a shift in fiscal year 2016 due to the change in pension obligation during the year. All other revenue sources remained consistent between years.



For the year ended June 30, 2016, total expenses for governmental activities were \$6,080,968. Of this amount, public safety and judiciary with \$2,256,261, was the largest operating service department at 37% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Perry Municipal Authority.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2016, revenues from electric, sewer, and sanitation services covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2016 was \$6,692,857, a 4% increase of prior year's budget. Budget amendments were approved during the fiscal year increasing the budget by \$1,105,078, for a final amended budget of \$7,797,935 prior to transfers. The General Fund budget complied with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the City had \$12,033,897 net investment in capital assets, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 614,915	\$ 614,915	\$ 500,000	\$ 500,000	\$ 1,114,915	\$ 1,114,915
Construction in process	1,273,648	2,363,667	732,267	503,880	2,005,915	2,867,547
Buildings	317,897	349,533	219,525	244,405	537,422	593,938
Machinery & equipment	857,934	824,952	270,630	232,718	1,128,564	1,057,670
Utility property & improvements	6,723,723	3,761,793	7,714,782	8,720,137	14,438,505	12,481,930
Totals	<u>\$ 9,788,117</u>	<u>\$ 7,914,860</u>	<u>\$ 9,437,204</u>	<u>\$ 10,201,140</u>	<u>\$ 19,225,321</u>	<u>\$ 18,116,000</u>

- In Governmental Activities, the most significant additions include construction and paving of the commercial park road, six new police vehicles, Cedar Street bridge improvements, continued work on the baseball complex, and street overlay projects.
- In Business-type activities, capital additions included electrical improvements, water equipment, three new vehicles, and airport improvements.

Long-Term Debt

At year-end, the City had \$13,906,635 in long-term debt outstanding, detailed below. The City issued two bonds during the fiscal year to fund utility improvements, street improvements, and other capital outlay. Total debt issued by the City exceeded \$7.4 million, which accounts for the increase in long term debt noted below.

Primary Government Long-Term Debt
Business-type Activities

	2016	2015
Notes payable	4,716,969	4,941,965
Bonds payable	10,464,996	2,775,000
less current portion	(1,275,330)	(1,062,438)
Totals	<u>\$ 13,906,635</u>	<u>\$ 6,654,527</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Tulsa World newspaper, "gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state's jobless numbers exceeded the national rate for the first time in almost 26 years." "We keep scouring through the data to find signs of an impending turnaround, but it's just not there," Miller said. "Some aspects of the August report aren't as negative as in prior months. A few revenue streams have ticked back up, but we can't yet point to a positive trend." The economic environment of the state sheds light on the local economy of the City.

The financial position of the City continues to remain consistent. The year-to-year progress of revenue exceeding expenses is leading to financial stability and improvement to the City's cash position.

Fess and Rates

Sales tax collections have declined slightly consistent with the state's outlook. As such, the City has budgeted recurring revenues, including sales and use tax, at 90% of fiscal year 2016 actual collections. This difference represents approximately \$75,000. A water utility rate increase of budgeted to generate an additional \$61,250, which help offset the increasing cost of providing services to citizens. Other

revenue sources are budgeted consistent with fiscal year 2016 collections, including the ambulance supplemental support.

Operating and Capital Expenses

Operating expenses for the General Fund and PMA are expected to increase marginally in fiscal year 2017. The Council has considered capital projects for fiscal year 2017 exceeding \$8 million for the City as a whole funded with the 2015 Series and 2016 Series bond issues. As management continues to navigate the fiscal changes of state and local economy, capital funding decisions will be made and approved by the Council.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Perry City Hall, 622 Cedar Street, Perry, Oklahoma, 73077-0798.

City of Perry, Oklahoma
Statement of Net Position
June 30, 2016

ASSETS	Governmental	Business-type	Total	Component Unit
	Activities	Activities		Municipal Hospital Authority
Current Assets:				
Cash and cash equivalents	\$ 1,113	\$ 1,118,823	\$ 1,119,936	\$ 344,816
Investments	131,145	411,076	542,221	848,098
Accounts receivable (net)	136,529	1,015,607	1,152,136	988,613
Other receivables	184,270	-	184,270	-
Inventory	-	23,101	23,101	190,549
Total current assets	<u>453,057</u>	<u>2,568,607</u>	<u>3,021,664</u>	<u>2,372,076</u>
Restricted assets:				
Cash and cash equivalents	2,877,204	7,990,541	10,867,745	-
Investments	100,100	1,280,608	1,380,708	2,096,035
Total restricted assets	<u>2,977,304</u>	<u>9,271,149</u>	<u>12,248,453</u>	<u>2,096,035</u>
Noncurrent Assets:				
Other assets	-	-	-	114,822
Pension asset	-	-	-	-
Land and construction in progress	1,875,562	1,232,267	3,107,829	281,238
Other capital assets (net of accumulated depreciation)	7,912,555	8,204,937	16,117,492	5,286,058
Total noncurrent assets	<u>9,788,117</u>	<u>9,437,204</u>	<u>19,225,321</u>	<u>5,682,118</u>
Total assets	<u>\$ 13,218,478</u>	<u>\$ 21,276,960</u>	<u>\$ 34,495,438</u>	<u>\$ 10,150,229</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on pension obligations	<u>549,951</u>	<u>-</u>	<u>549,951</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 62,586	\$ 593,192	\$ 655,778	\$ 505,235
Other accrued liabilities	-	14,824	14,824	-
Due to other funds	41,089	(41,089)	-	-
Accrued salary and vacation payable	105,275	35,232	140,507	-
Payroll taxes payable	39,520	-	39,520	-
Other liabilities	100,577	-	100,577	326,963
Notes payable, current	16,480	430,330	446,810	-
Total current liabilities	<u>365,527</u>	<u>1,032,489</u>	<u>1,398,016</u>	<u>832,198</u>
Liabilities payable from restricted assets:				
Accrued payables	-	62,530	62,530	-
Customer deposits payable	-	386,935	386,935	-
Bonds payable, current	-	845,000	845,000	-
Total liabilities payable from restricted assets	<u>-</u>	<u>1,294,465</u>	<u>1,294,465</u>	<u>-</u>
Noncurrent liabilities:				
Lease payable, non-current	24,610	-	24,610	-
Notes payable, non-current	-	4,286,639	4,286,639	-
Bonds payable, non-current	-	9,619,996	9,619,996	-
Pension liability	2,068,102	-	2,068,102	-
Total noncurrent liabilities	<u>2,092,712</u>	<u>13,906,635</u>	<u>15,999,347</u>	<u>-</u>
Total liabilities	<u>2,458,239</u>	<u>16,233,589</u>	<u>18,691,828</u>	<u>832,198</u>
DEFERRED INFLOW OF RESOURCES				
Deferred charges on pension obligations	<u>914,165</u>	<u>-</u>	<u>914,165</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	7,013,117	5,020,780	12,033,897	5,567,296
Reserved for restricted purposes	2,265,333	778,283	3,043,616	52,241
Unrestricted	1,117,575	(755,692)	361,883	3,698,494
Total net position	<u>\$ 10,396,025</u>	<u>\$ 5,043,371</u>	<u>\$ 15,439,396</u>	<u>\$ 9,318,031</u>

City of Perry, Oklahoma
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 799,740	\$ 59,848	\$ 50,000	\$ -	\$ (689,892)
Total general government	799,740	59,848	50,000	-	(689,892)
Public safety and judiciary:					
Police	1,541,459	141,155	-	-	(1,400,304)
Code enforcement	110,823	31,842	-	-	(78,981)
Animal control	65,424	255	-	-	(65,169)
Fire	388,153	-	4,290	-	(383,863)
Municipal court	150,402	27,033	-	-	(123,369)
Total public safety and judiciary	2,256,261	200,285	4,290	-	(2,051,686)
Transportation:					
Street	1,050,001	46,726	491	-	(1,002,784)
Total transportation	1,050,001	46,726	491	-	(1,002,784)
Cultural, parks and recreation:					
Park	283,787	80,259	8,540	-	(194,988)
Library	264,034	1,694	9,550	42,304	(210,486)
Public access	86,847	825	-	-	(86,022)
Total cultural, parks and recreation	634,668	82,778	18,090	42,304	(491,496)
Cemetery:					
Cemetery	227,475	44,530	-	-	(182,945)
Total cemetery	227,475	44,530	-	-	(182,945)
Ambulance					
Ambulance	725,007	363,038	203,337	-	(158,632)
Total ambulance	725,007	363,038	203,337	-	(158,632)
Economic development:					
Economic development	387,816	-	-	-	(387,816)
Total economic development	387,816	-	-	-	(387,816)
Total governmental activities	6,080,968	797,205	276,208	42,304	(4,965,251)
Business-type activities:					
Utility services:					
Electric	5,517,377	7,781,337	20,000	-	2,283,960
Water	1,770,439	1,221,707	-	-	(548,732)
Sewer	589,130	801,316	-	-	212,186
Sanitation	464,781	709,597	-	-	244,816
Customer service	634,530	229,092	-	-	(405,438)
Airport	513,555	234,061	-	11,717	(267,777)
Total business-type activities	9,489,812	10,977,110	20,000	11,717	1,519,015
Component Unit:					
Patient services	8,808,960	6,882,780	280,645	-	(1,645,535)
Total component unit activities	8,808,960	6,882,780	280,645	-	(1,645,535)
Total	\$ 24,379,740	\$ 18,657,095	\$ 576,853	\$ 54,021	\$ (5,091,771)

City of Perry, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2016

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net (expense)/revenue	\$ (4,965,251)	\$ 1,519,015	\$ (3,446,236)	(1,645,535)
General revenues:				
Taxes:				
Sales and use tax	2,054,942	-	2,054,942	-
Franchise taxes	69,713	-	69,713	-
911 tax	69,851	-	69,851	-
Hotel/Motel tax	273,226	-	273,226	-
Alcohol beverage tax	65,070	-	65,070	-
Tobacco tax	23,047	-	23,047	-
Investment income	2,675	29,981	32,656	31,382
Royalties	33,247	26,838	60,085	-
Gain on sale	2,737	-	2,737	-
Other income	387,369	-	387,369	52,067
Pension change	(48,458)	-	(48,458)	-
Transfers-Internal activity	3,824,528	(3,824,528)	-	-
Total general revenues and transfers	<u>6,757,947</u>	<u>(3,767,709)</u>	<u>2,990,238</u>	<u>83,449</u>
Change in net position	1,792,696	(2,248,694)	(455,998)	(1,562,086)
Net position-beginning	8,603,329	7,292,065	15,895,394	10,880,117
Net position-ending	<u>\$ 10,396,025</u>	<u>\$ 5,043,371</u>	<u>\$ 15,439,396</u>	<u>\$ 9,318,031</u>

**City of Perry, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 123,316	\$ -	\$ -	\$ 8,942	\$ 132,258
Cash and investments, restricted	1,553,631	894,961	428,561	100,151	2,977,304
Accounts receivable	160,486	-	-	-	160,486
Allowance for doubtful accounts	(23,957)	-	-	-	(23,957)
Taxes receivable	80,851	57,455	45,964	-	184,270
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 1,894,327</u>	<u>\$ 952,416</u>	<u>\$ 474,525</u>	<u>\$ 109,093</u>	<u>\$ 3,430,361</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred charges on pension obligations	-	-	-	-	-
LIABILITIES					
Accounts payable	\$ 61,059	\$ -	\$ -	\$ 1,527	\$ 62,586
Due to other funds	41,089	-	-	-	41,089
Lease payable, current portion	16,480	-	-	-	16,480
Compensated absences	101,079	-	-	4,196	105,275
Accrued payroll liabilities	39,520	-	-	-	39,520
Deposit payable	100,577	-	-	-	100,577
Total liabilities	<u>359,804</u>	<u>-</u>	<u>-</u>	<u>5,723</u>	<u>365,527</u>
DEFERRED INFLOW OF RESOURCES					
Deferred charges on pension obligations	-	-	-	-	-
FUND BALANCES					
Restricted	896,500	794,833	397,751	100,151	2,189,235
Committed	72,879	-	-	3,219	76,098
Assigned	182,538	-	-	-	182,538
Unassigned	382,606	157,583	76,774	-	616,963
Total fund balances	<u>1,534,523</u>	<u>952,416</u>	<u>474,525</u>	<u>103,370</u>	<u>3,064,834</u>
Total liabilities and fund balances	<u>\$ 1,894,327</u>	<u>\$ 952,416</u>	<u>\$ 474,525</u>	<u>\$ 109,093</u>	<u>\$ 3,430,361</u>
Total fund balance- total governmental funds					\$ 3,064,834
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.					
	Land and construction in process			\$ 1,875,562	
	Capital assets			16,981,228	
	Less: Accumulated depreciation			(9,068,673)	9,788,117
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					
	Capital lease payable			(24,610)	
	Net pension related deferred (inflows)/outflows			(364,214)	
	Net pension obligation			(2,068,102)	(2,456,926)
Net position of governmental activities					<u>\$ 10,396,025</u>

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2016

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 595,154	\$ 743,943	\$ 595,154	\$ -	\$ 1,934,251
Use tax	120,691	-	-	-	120,691
Franchise tax	27,559	-	-	42,154	69,713
Hotel/motel tax	273,226	-	-	-	273,226
Other taxes	407,032	-	-	-	407,032
Licenses and permits	48,967	-	-	-	48,967
Rents & royalties	73,576	-	-	-	73,576
Fines and forfeitures	201,979	-	-	-	201,979
Charges for services	413,850	-	-	45,355	459,205
Intergovernmental revenues	63,840	-	-	-	63,840
Donations	52,335	-	-	-	52,335
Other revenues	387,372	-	-	-	387,372
Interest	2,675	-	-	-	2,675
Total revenues	<u>2,668,256</u>	<u>743,943</u>	<u>595,154</u>	<u>87,509</u>	<u>4,094,862</u>
EXPENDITURES					
Current:					
General government:					
General government	736,652	-	-	-	736,652
Total general government	<u>736,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,652</u>
Public safety and judiciary:					
Police	1,474,452	-	-	-	1,474,452
Code enforcement	110,823	-	-	-	110,823
Animal control	65,424	-	-	-	65,424
Fire	330,390	-	-	-	330,390
Municipal court	135,362	-	-	-	135,362
Total public safety and judiciary	<u>2,116,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,116,451</u>
Transportation:					
Street	690,295	-	-	-	690,295
Total transportation	<u>690,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690,295</u>
Cultural, parks and recreation:					
Parks	243,500	-	-	-	243,500
Library	259,750	-	-	-	259,750
Public access	-	-	-	86,847	86,847
Total cultural, parks and recreation	<u>503,250</u>	<u>-</u>	<u>-</u>	<u>86,847</u>	<u>590,097</u>
Cemetery:					
General cemetery	-	-	-	215,776	215,776
Total cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,776</u>	<u>215,776</u>
Ambulance:					
Ambulance	696,324	-	-	-	696,324
Total ambulance	<u>696,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>696,324</u>
Economic development:					
Economic development	179,811	-	-	-	179,811
Total economic development	<u>179,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,811</u>
Capital outlay	2,705,377	-	-	36,441	2,741,818
Total expenditures	<u>7,628,160</u>	<u>-</u>	<u>-</u>	<u>339,064</u>	<u>7,967,224</u>
Excess (deficiency) of revenues over expenditures	<u>(4,959,904)</u>	<u>743,943</u>	<u>595,154</u>	<u>(251,555)</u>	<u>(3,872,362)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,931,228	-	-	215,000	5,146,228
Transfers out	(216,960)	(586,360)	(518,380)	-	(1,321,700)
Total other financing sources and uses	<u>4,714,268</u>	<u>(586,360)</u>	<u>(518,380)</u>	<u>215,000</u>	<u>3,824,528</u>
Net change in fund balances	(245,636)	157,583	76,774	(36,555)	(47,834)
Fund balances - beginning, restated	1,780,159	794,833	397,751	139,925	3,112,668
Fund balances - ending	<u>\$ 1,534,523</u>	<u>\$ 952,416</u>	<u>\$ 474,525</u>	<u>\$ 103,370</u>	<u>\$ 3,064,834</u>

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2016

Net change in fund balances - total governmental funds \$ (47,834)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases	2,741,818	
Depreciation expense	<u>(868,561)</u>	1,873,257

In the statement of activities, the gain on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the cost of the assets disposed, net of accumulated depreciation, if applicable.

Sale of assets - governmental funds	(5,029)
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Repayment of debt principle is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt activity reported in the fund statements	
Capital lease principle	20,760

In the statement of activities, the cost of pension benefits earned net of employee contributions are reported as an component of pension expense. The fund financial statements report pension contributions as expenditures.

	<u>(48,458)</u>
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Change in Net Position of Governmental Activities	<u>\$ 1,792,696</u>
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City of Perry, Oklahoma
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

				<u>Component Unit</u>
	<u>Public Utility Authority</u>	<u>Airport Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital Authority</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 550,604	\$ 568,219	\$ 1,118,823	\$ 344,816
Investments	408,553	2,523	411,076	848,098
Accounts receivable	1,011,291	18,556	1,029,847	1,739,613
Allowance for doubtful accounts	(14,240)	-	(14,240)	(751,000)
Inventory	-	23,101	23,101	190,549
Other assets	-	-	-	114,822
Total current assets	<u>1,956,208</u>	<u>612,399</u>	<u>2,568,607</u>	<u>2,486,898</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	7,990,541	-	7,990,541	-
Investments	1,280,608	-	1,280,608	2,096,035
Total restricted assets	<u>9,271,149</u>	<u>-</u>	<u>9,271,149</u>	<u>2,096,035</u>
Noncurrent assets:				
Due from other funds	41,089	-	41,089	-
Capital assets (net)	7,297,321	2,139,883	9,437,204	5,567,296
Total noncurrent assets	<u>7,338,410</u>	<u>2,139,883</u>	<u>9,478,293</u>	<u>5,567,296</u>
Total assets	<u>\$ 18,565,767</u>	<u>\$ 2,752,282</u>	<u>\$ 21,318,049</u>	<u>\$ 10,150,229</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 548,997	\$ 44,195	\$ 593,192	\$ 505,235
Sales tax payable	14,824	-	14,824	-
Compensated absences	33,599	1,633	35,232	-
Other liabilities	-	-	-	326,963
Notes payable, current	430,330	-	430,330	-
Total current liabilities	<u>1,027,750</u>	<u>45,828</u>	<u>1,073,578</u>	<u>832,198</u>
Liabilities payable from restricted assets:				
Customer deposits payable	386,935	-	386,935	-
Accrued interest payable	62,530	-	62,530	-
Bonds payable, current	845,000	-	845,000	-
Total liabilities payable from restricted assets	<u>1,294,465</u>	<u>-</u>	<u>1,294,465</u>	<u>-</u>
Noncurrent liabilities:				
Notes payable, non-current	4,286,639	-	4,286,639	-
Bonds payable, non-current	9,619,996	-	9,619,996	-
Total noncurrent liabilities	<u>13,906,635</u>	<u>-</u>	<u>13,906,635</u>	<u>-</u>
Total liabilities	<u>16,228,850</u>	<u>45,828</u>	<u>16,274,678</u>	<u>832,198</u>
NET POSITION				
Net investment in capital assets	2,580,352	2,139,883	4,720,235	5,567,296
Restricted	778,283	-	778,283	52,241
Unrestricted	<u>(1,021,718)</u>	<u>566,571</u>	<u>(455,147)</u>	<u>3,698,494</u>
Total net position	<u>\$ 2,336,917</u>	<u>\$ 2,706,454</u>	<u>\$ 5,043,371</u>	<u>\$ 9,318,031</u>

City of Perry, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	Public Utility Authority	Airport Authority	Total Enterprise Funds	Component Unit Municipal Hospital Authority
Operating revenues:				
Charges for services:				
Electric charges	\$ 7,781,337	\$ -	\$ 7,781,337	\$ -
Water charges	1,221,707	-	1,221,707	-
Sewer charges	801,316	-	801,316	-
Sanitation charges	709,597	-	709,597	-
Penalties	85,436	-	85,436	-
Net patient and service charges	-	-	-	6,882,780
Total charges for services	<u>10,599,393</u>	<u>-</u>	<u>10,599,393</u>	<u>6,882,780</u>
Lease and rental income	-	38,228	38,228	-
Other fees and charges	143,656	316	143,972	280,645
Fees & oil sales	-	195,517	195,517	-
Total operating revenues	<u>10,743,049</u>	<u>234,061</u>	<u>10,977,110</u>	<u>7,163,425</u>
Operating expenses:				
Personal services	1,388,198	126,520	1,514,718	2,367,373
Materials and supplies	839,513	27,458	866,971	2,360,547
Purchases for resale	4,524,948	142,246	4,667,194	-
Other services and charges	1,050,322	48,501	1,098,823	3,496,359
Depreciation	866,815	168,830	1,035,645	584,681
Total operating expenses	<u>8,669,796</u>	<u>513,555</u>	<u>9,183,351</u>	<u>8,808,960</u>
Net operating income	2,073,253	(279,494)	1,793,759	(1,645,535)
Nonoperating revenue (expense):				
Investment income	29,980	1	29,981	31,382
Royalty income	-	26,838	26,838	-
Grant income	-	11,717	11,717	-
Interest expense	(304,961)	-	(304,961)	-
Bad debt	(1,500)	-	(1,500)	-
Contributions	-	-	-	52,051
Other revenue (expenses)	20,000	-	20,000	16
Total nonoperating revenue (expense)	<u>(256,481)</u>	<u>38,556</u>	<u>(217,925)</u>	<u>83,449</u>
Net Income before contributions and transfers	1,816,772	(240,938)	1,575,834	(1,562,086)
Transfers from other funds	1,321,700	-	1,321,700	-
Transfers to other funds	<u>(5,146,228)</u>	<u>-</u>	<u>(5,146,228)</u>	<u>-</u>
Change in net position	(2,007,756)	(240,938)	(2,248,694)	(1,562,086)
Net position-beginning of year	4,344,673	2,947,392	7,292,065	10,880,117
Net position-end of year	<u>\$ 2,336,917</u>	<u>\$ 2,706,454</u>	<u>\$ 5,043,371</u>	<u>\$ 9,318,031</u>

City of Perry, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

				Component Unit
	Public Utility Authority	Airport Authority	Total Enterprise Funds	Municipal Hospital Authority
<u>Cash flows from operating activities:</u>				
Receipts from customers/patients	\$ 10,476,390	\$ 282,431	\$ 10,758,821	\$ 7,436,069
Payments to suppliers	(6,464,276)	(192,407)	(6,656,683)	(3,820,317)
Payments to employees	(1,388,146)	(127,522)	(1,515,668)	(4,356,010)
Net cash provided (used) by operating activities	2,623,968	(37,498)	2,586,470	(740,258)
<u>Cash flows from non-capital financing activities:</u>				
Transfers from other funds	1,321,700	-	1,321,700	-
Transfers to other funds	(5,146,228)	-	(5,146,228)	-
Receipts from nonoperating income and contributions	115,851	43,695	159,546	52,067
Net cash provided (used) by non-capital financing activities	(3,708,677)	43,695	(3,664,982)	52,067
<u>Cash flows from capital and related financing activities:</u>				
Purchases of capital assets	(244,875)	(26,833)	(271,708)	(42,801)
Proceeds from issuance of debt	7,465,000	-	7,465,000	-
Principal paid on capital debt	(1,062,438)	-	(1,062,438)	-
Interest paid on capital debt	(312,287)	-	(312,287)	-
Receipts from grant proceeds	-	11,717	11,717	-
Net cash provided (used) by capital and related financing activities	5,845,400	(15,116)	5,830,284	(42,801)
<u>Cash flows from investing activities:</u>				
Sale of investments	-	-	-	1,256,830
(Purchase) of investments	-	-	-	(608,057)
Investment income	29,980	1	29,981	31,382
Net cash provided (used) by investing activities	29,980	1	29,981	680,155
Net increase (decrease) in cash and cash equivalents	4,790,671	(8,918)	4,781,753	(50,837)
Cash & cash equivalents, June 30, 2015	3,750,474	577,137	4,327,611	395,653
Cash & cash equivalents, June 30, 2016	<u>\$ 8,541,145</u>	<u>\$ 568,219</u>	<u>\$ 9,109,364</u>	<u>\$ 344,816</u>
Cash, including time deposits	\$ 550,604	\$ 568,219	1,118,823	\$ 344,816
Restricted cash, including time deposits	7,990,541	-	7,990,541	-
Total cash and cash equivalents, end of year	<u>\$ 8,541,145</u>	<u>\$ 568,219</u>	<u>\$ 9,109,364</u>	<u>\$ 344,816</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ 2,073,253	\$ (279,494)	\$ 1,793,759	\$ (1,645,535)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	866,815	168,830	1,035,645	584,681
Provision for bad debt	1,500	-	1,500	1,104,271
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(45,727)	(16,683)	(62,410)	(692,571)
(Increase) decrease in inventory	-	(2,121)	(2,121)	11,774
(Increase) decrease in other assets	(222,432)	65,053	(157,379)	77,742
Increase (decrease) in accounts payable	(9,673)	27,919	18,246	(213,012)
Increase (decrease) in deposits subject to refund	(39,820)	-	(39,820)	-
Increase (decrease) in compensated absences	52	(1,002)	(950)	-
Increase (decrease) in other liabilities	-	-	-	32,392
Total adjustments	550,715	241,996	792,711	905,277
Net cash provided (used) by operating activities	\$ 2,623,968	\$ (37,498)	\$ 2,586,470	\$ (740,258)

**City of Perry, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	<u>General Cemetery Fund</u>	<u>Cemetery Care Fund</u>	<u>Public Access Fund</u>	<u>Total Non-Major Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,909	\$ (13,497)	\$ 6,033	\$ (4,555)
Investments	-	113,648	-	113,648
Total assets	<u>\$ 2,909</u>	<u>\$ 100,151</u>	<u>\$ 6,033</u>	<u>\$ 109,093</u>
LIABILITIES				
Accounts payable	\$ 878	\$ -	\$ 649	\$ 1,527
Accrued vacation payable	768	-	3,428	4,196
Total liabilities	<u>1,646</u>	<u>-</u>	<u>4,077</u>	<u>5,723</u>
FUND BALANCES				
Restricted	-	100,151	-	100,151
Committed	1,263	-	1,956	3,219
Total fund balances	<u>1,263</u>	<u>100,151</u>	<u>1,956</u>	<u>103,370</u>
Total liabilities and fund balances	<u>\$ 2,909</u>	<u>\$ 100,151</u>	<u>\$ 6,033</u>	<u>\$ 109,093</u>

City of Perry, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2016

	<u>General Cemetery Fund</u>	<u>Cemetery Care Fund</u>	<u>Public Access Fund</u>	<u>Total Non-Major Funds</u>
<u>REVENUES</u>				
Franchise taxes	\$ -	\$ -	\$ 42,154	\$ 42,154
Charges for services	38,951	5,579	825	45,355
Donations	-	-	-	-
Interest income	-	-	-	-
Total revenues	<u>38,951</u>	<u>5,579</u>	<u>42,979</u>	<u>87,509</u>
<u>EXPENDITURES</u>				
Cultural, parks and recreation:				
General cemetery	215,776	-	-	215,776
Public information network	-	-	86,847	86,847
Total cultural, parks and recreation	<u>215,776</u>	<u>-</u>	<u>86,847</u>	<u>302,623</u>
Capital outlay	-	36,441	-	36,441
Total expenditures	<u>215,776</u>	<u>36,441</u>	<u>86,847</u>	<u>339,064</u>
Excess (deficiency) of revenues over expenditures	<u>(176,825)</u>	<u>(30,862)</u>	<u>(43,868)</u>	<u>(251,555)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in/(out)	177,043	(7,043)	45,000	215,000
Total other financing sources and uses	<u>177,043</u>	<u>(7,043)</u>	<u>45,000</u>	<u>215,000</u>
Net change in fund balances	218	(37,905)	1,132	(36,555)
Fund balances - beginning	1,045	138,056	824	139,925
Fund balances - ending	<u>\$ 1,263</u>	<u>\$ 100,151</u>	<u>\$ 1,956</u>	<u>\$ 103,370</u>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The City of Perry, Oklahoma (the "City") was organized in September 1893 and is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. Upon incorporation, the City operated under the Aldermanic form of government. On November 11, 2006, the citizens of the City approved a change in the structure of the City government from Aldermanic to a Council-Manager form. This change was approved by Governor Brad Henry on January 4, 2007 and the amended municipal City charter was approved. The City provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and electric), culture and recreation, public improvements, planning and zoning, and general administrative services.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Perry. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Perry Municipal Authority (PMA) – was established December 6, 1993 to operate the City's electrical system. Subsequent amendments have transferred operations of all the utility systems, as well as the airport to the Authority. The activity of the Authority includes electric, water, sewer, and sanitation services, as well as the operations of the municipal airport. PMA is reported in two funds in the business-type activities, the Public Utility Authority and the Airport Authority.

Discretely Presented Component Unit

Perry Municipal Hospital Authority (PMH) – was established April 22, 1974 as a public trust under Title 60 Oklahoma Statute 1961 to provide a hospital and other community health facilities for the citizens of the City of Perry. PMH has a separate board of trustees, including the mayor of the City, five trustees appointed by the City, one trustee who is an active member of the hospital medial staff; and two other trusses nominated by the other trustees. PMH proves hospital, medical and residential care of the citizens of the City. PMH issues separately audited financial statements that can be obtained at City Hall. For purposes of this report, PMH is included as a discretely presented component unit.

Perry Economic Development Authority (PEDA) – was established September 26, 1995 to promote the economic development of the City. PEDA is a legally separate entity from the City and is governed by no more than 12 trustees, 9 of whom are the same aldermen who govern the City; the president of the Perry Chamber of Commerce, the executive director of Main Street Perry, Inc., and one trustee appointed by the City's aldermen. PEDA is inactive in the current year, and therefore; not included in the report for the period ended.

Perry Housing Authority (PHA) – was created under provision of the Oklahoma Statues by a Declaration of the Trust. The Trust was inactive during the year.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Street Improvement Fund

The Street Improvement Funds accounts for the legally restricted sales tax proceeds which were used to improve the streets and alleys of the City of Perry in accordance with the 1% sales tax issue passed in 2007.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
<u>Limited Purpose Sales Tax*</u>	Accounts for legally restricted sales tax proceeds
<u>General Cemetery</u>	Accounts for the operations of the City's cemetery
<u>Cemetery Care</u>	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.
<u>Public Access Fund</u>	Accounts for the Board restricted 5% franchise fee from the cable television franchise

The General Fund and the Street Improvement Fund are considered major funds in accordance with GASB criteria. The Limited Purpose Sales Tax Fund is presented as a major fund based upon management's election.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

FUND	BRIEF DESCRIPTION
<u>Perry Utility Fund</u>	Accounts for the activities of the authority in providing electric, water, sewer, and solid waste services to the public. Perry Municipal Authority is the governing Trust for the operations accounted for by this fund.
<u>Perry Airport Fund</u>	Accounts for operations of the airport. Perry Municipal Authority is the governing Trust for the operations accounted for by this fund.

The City's Utility Fund and Airport Fund are considered major funds.

The Perry Municipal Hospital Authority is a component unit of the City and is discretely presented in the basic financial statements.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Clerk submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Clerk and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the next fiscal year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Inventory

Inventories are recorded on a first-in first-out basis, which approximates market. Inventory, consisting of airport fuel for resale, is valued at the lower of cost or market.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 10-25 years |
| • Other improvements | 10-25 years |
| • Machinery, furniture & equipment | 3-25 years |
| • Infrastructure | 10-20 years |

Fund Financial Statement:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a 3.25% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to the use. The unrestricted portion (1%) is recorded as sales tax revenue within the General Fund; the remaining 2.25% is restricted and recorded as sales tax revenue in the Limited Purpose Sales Tax fund, allocated 1.25% for water improvements and Street Improvement fund the remaining 1%.

Franchise Tax

Effective February 21, 1994, the City approved a 2% increase in the franchise tax levied from 3% to a total of 5%. The total franchise tax revenue is restricted in use to provide public, educational, and governmental television access service. Funds are reported in the Public Access fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report the current portion of compensated absences payable to employees.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

A. Deficit Fund Net Position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The City reported no deficit fund balances or net position for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2016, the City did not materially overspend in any department-level category.

C. Debt Covenants

The long term debt held by the Perry Municipal Authority contains a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.25 times average annual debt service on the respective notes for the Authority. Refer to footnote 3C for discussion of long term debt.

D. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
Franchise Tax	Public television access
Sales Tax (1.25%)	Water system improvements
Sales Tax (1%)	Street Improvements
Hotel/Motel Tax	Economic Development

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
INVESTMENTS:				
Certificates of deposit, pooled	\$ 2,693,715	\$ 2,693,715	N/A	163
Total investments	<u>2,693,715</u>	<u>2,693,715</u>		
 Total primary government investments	 <u>\$ 2,693,715</u>	 <u>\$ 2,693,715</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 901,931	\$ 411,076	\$ 1,313,007
Investments, restricted	100,100	1,280,608	1,380,708
Total investments	<u>\$ 1,002,031</u>	<u>\$ 1,691,684</u>	<u>\$ 2,693,715</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

It is the Perry Memorial Hospital Authority's (PMHA) policy to invest in demand and time deposit accounts and certificates of deposit. Refer to the Perry Memorial Hospital Authority and Controlled Entity June 30, 2016 audit report for further discussion of the investments held by PMHA and the related collateralization.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2016 follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Land	\$ 614,915	\$ -	\$ 5,029	\$ 609,886
Construction in process	2,363,665	932,728	2,030,717	1,265,676
Buildings & structures	1,652,739	-	-	1,652,739
Machinery, furniture, & equipment	4,288,286	349,931	-	4,638,217
Infrastructure & improvements	<u>7,195,367</u>	<u>3,494,905</u>	<u>-</u>	<u>10,690,272</u>
 Total	 16,114,972	 4,777,564	 2,035,746	 18,856,790
Less accumulated depreciation	<u>8,200,112</u>	<u>868,561</u>	<u>-</u>	<u>9,068,673</u>
 Fixed assets, net	 <u>\$ 7,914,860</u>	 <u>\$ 3,909,003</u>	 <u>\$ (2,035,746)</u>	 <u>\$ 9,788,117</u>

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2016 follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Buildings	3,480,741	-	-	3,480,741
Machinery, furniture, & equipment	1,546,489	130,359	-	1,676,848
Infrastructure	18,343,139	40,735	-	18,383,874
Construction in process	582,668	100,615	-	683,283
	<u>24,453,037</u>	<u>271,709</u>	<u>-</u>	<u>24,724,746</u>
Total	24,453,037	271,709	-	24,724,746
Less accumulated depreciation	<u>14,251,897</u>	<u>1,035,645</u>	<u>-</u>	<u>15,287,542</u>
Fixed assets, net	<u>\$ 10,201,140</u>	<u>\$ (763,936)</u>	<u>\$ -</u>	<u>\$ 9,437,204</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations.

Depreciation expense was charged to functions in the statement of activities as follows:

Governmental Activities		Business-type Activities	
General government	\$ 63,086	Electric	\$ 108,419
Public safety & judiciary	152,811	Water	566,465
Transportation	359,706	Sewer	127,362
Cultural, parks & recreation	44,571	Customer service	64,569
Cemetery	11,699	Airport	168,830
Ambulance	26,683		
Economic development	208,005	Total depreciation expense	<u>\$ 1,035,645</u>
Total depreciation expense	<u>\$ 866,561</u>		

C. LONG-TERM DEBT

Capital Lease Payable

The City has an outstanding capital lease with Caterpillar Financial Services Corporation for the lease/purchase of a loader in the Street department. The lease agreement was originated in January 2014 for \$79,800, payable in 62 payments at an interest rate of 2.5%. The lease obligation is recorded in governmental funds and is paid by the General Fund. At June 30, 2016, the City owed \$41,090 on the lease, of that \$16,480 is the current obligation of the City.

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2016:

NOTES PAYABLE

Business-Type Activities:

On June 6, 2006, PMA issued the Perry Municipal Authority Utility System and Sales Tax Revenue Note, Series 2006 in the amount of \$7,735,000. The note carries an interest rate of 4.49%, maturing June 1, 2026. The loan requires monthly payments into a debt service account from which the semi-annual debt service payments are made. Debt covenants include debt service coverage of 1.25 of net utility revenues. The Note is secured by 1.25% restricted sales tax revenues, as well as water revenues and 1% general sales tax revenues. At June 30, 2016, the City met the debt service coverage requirement. \$ 4,716,969

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

On March 5, 2010, PMA entered into agreement with the Oklahoma Water Resources Board for the Series 2010 Drinking Water SRF loan in the amount of \$469,482. The note bears an interest rate of 2.34% plus an administration fee of 0.5%. The note matures September 15, 2020. Payments are made semi-annually in March and September. Debt covenants include debt service coverage of 1.25 of net utility revenues of the water system. The Note includes a pledge and assignment of operating revenues from the water system and a year to year pledge of sales tax in addition to a mortgage on certain real estate. At June 30, 2016, the City met the debt service coverage requirement.	224,996
On August 1, 2012, PMA issued the Perry Municipal Authority Sales Tax Refunding Revenue Bonds, Series 2012 in the amount of \$2,915,000 for the purpose of retiring the 2007 bonds of the PMA and to provide funds for maintenance and improving streets. The bonds mature January 1, 2018 and carry interest rates ranging from 1.5% to 5.0%. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured by 1% restricted sales tax revenues and revenues of the electric and garbage systems. At June 30, 2016, the City met the debt service coverage requirement.	1,015,000
On August 1, 2013, PMA issued the Perry Municipal Authority Sales Tax Refunding Revenue Bonds, Series 2013 in the amount of \$2,065,000 for the purpose of providing capital improvements for the City. The bonds mature August 1, 2025 and carry interest rates ranging from 3% to 4.25%. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured with proceeds of the 8% hotel tax in addition to a pledge of electric and garbage revenues. At June 30, 2016, the City met the debt service coverage requirement.	1,760,000
In December 2015, PMA issued the Perry Municipal Authority Utility System Revenue Note, Series 2015 with proceeds of \$3,100,000. Proceeds will be used for sewer improvements. The note requires monthly payments into a debt service account from which semi-annual debt service payments are made and carries a 2.47% interest rate maturing July 2030.	3,100,000
In February 2016, PMA issued the Perry Municipal Authority Series 2016 Revenue Note with proceeds of \$4,365,000. Proceeds will be used for Street improvements and other capital improvements. The note carries a 2.41% interest rate maturing January 2028.	4,365,000
	\$ 15,18,965

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

Type of Debt	Balance at July 1, 2015	Amount Issued	Amount Retired	Balance at June 30, 2016	Due Within One Year
Business-type activities:					
<i>Notes Payable</i>					
Water system	5,354,403	-	412,438	4,941,965	430,330
<i>Bonds Payable</i>					
Water improvements, Series 2012	1,510,000	-	495,000	1,015,000	505,000
Capital improvements, Series 2013	1,915,000	-	155,000	1,760,000	155,000
Sewer improvements, Series 2015	-	3,100,000	-	3,100,000	180,000
Capital improvements, Series 2016	-	4,365,000	-	4,365,000	-
Total business-type activities	\$ 8,779,403	\$ 7,465,000	\$ 1,062,438	\$ 15,181,965	\$ 1,270,330

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt held by business-type activities as of June 30, 2016 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 430,330	\$ 207,964	\$ 840,000	\$ 243,805
2018	449,001	189,537	850,000	238,119
2019	468,502	170,286	735,000	219,073
2020	488,869	150,176	760,000	201,559
2021	483,641	129,159	770,000	182,916
2022-2026	2,621,622	310,158	4,215,000	591,691
2027-2031	-	-	2,070,000	99,249
Totals	<u>\$ 4,941,965</u>	<u>\$ 1,157,280</u>	<u>\$ 10,240,000</u>	<u>\$ 1,776,412</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2016 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Utility Authority	\$ -	\$ 41,089
UTILITY AUTHORITY		
General Fund	41,089	-
	<u>\$ 41,089</u>	<u>\$ 41,089</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Utility Authority	\$ 5,146,228	\$ 216,960
Airport Authority	-	-
Total General Fund	<u>5,146,228</u>	<u>216,960</u>
LIMITED PURPOSE SALES TAX		
Utility Authority	-	586,360
Total Limited Purpose Sales Tax	<u>-</u>	<u>586,360</u>
STREET IMPROVEMENT FUND		
Utility Authority	-	518,380
Total Street Improvement Fund	<u>-</u>	<u>518,380</u>
UTILITY AUTHORITY		
General Fund	216,960	5,146,228
Limited Purpose Sales Tax	586,360	-
Street Improvement	518,380	-
Total Utility Authority	<u>1,321,700</u>	<u>5,146,228</u>
GRAND TOTAL	<u>\$ 6,467,928</u>	<u>\$ 6,467,928</u>

(4) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Police Pension and Retirement Systems

Plan description – The City of Perry, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$63,581.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported an asset of \$7,055 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.001730%.

For the year ended June 30, 2016, the City recognized pension expense of \$101,462. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 39,012
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	126,425	153,573
Changes in proportion and differences between City contributions and proportionate share of contributions	15,487	-
City contributions subsequent to the measurement date	71,785	-
Total	\$ 213,697	\$ 192,585

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 22,708
2018	22,708
2019	22,708
2020	(22,942)
2021	3,006

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense, per annum, compounded annually
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Long-Term Expected Asset Class</u>	<u>Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	423,852	7,055	(344,336)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPFRS; which can be located at www.ok.gov/OPFRS.

B. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description – The City of Perry, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$63.279 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$1,755,868 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was 0.16543%.

For the year ended June 30, 2016, the City recognized pension expense of \$186,203. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 34,690	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	62,246	193,134
Changes in proportion and differences between City contributions and proportionate share of contributions	196,747	-
City contributions subsequent to the measurement date	67,211	-
Total	<u><u>\$ 360,894</u></u>	<u><u>\$ 193,134</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 34,032
2018	34,032
2019	34,432
2020	22,512
2021	2,774

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	2,279,809	1,755,868	1,316,434

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

C. Oklahoma Municipal Retirement Fund

The City contributes to a cost-sharing, multiple-employer defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 10 years of service.

For the year ended June 30, 2016, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$2,473,953
Employer (City) contributions made	\$151,273

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	OkMRF Plan
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 3 month probationary period.
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	8.62% of covered payroll
- Employer Rate	4% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 10 years of vesting service. - Early Retirement after age 55 with 10 years or more of vesting. - Disability retirement upon total and permanent disability with 10 years of service. - Death benefits with 10 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average compensation multiplied by the number of years of credited service.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

- Early Retirement Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
 - Disability Retirement Payable upon disablement without reduction for early payment
 - Death Benefit 50% of employee's accrued benefit, see above
 - Prior to 10 Years Service Return of employee contributions with accrued interest.
- g. Form of Benefit Payments Normal form of payment of the accrued benefit is a monthly lifetime annuity with 10 years certain. Other retirement benefits are available under actuarially equivalent optional forms.

Employees Covered by Benefit Terms

Active Employees	51
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	<u>12</u>
Total	<u>65</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8.62% of covered payroll. Employees contribute a fixed 4% to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

- a. Date of last Actuarial Valuation March 2016
- b. Significant Actuarial Assumptions Used:
 - 1. Rate of Return on Investments 7.5% per annum
 - 2. Pay increases Rates by age
 - 3. Retirement Age Rates by age
 - 4. Mortality Table UP 1994 mortality (projected)
 - 5. Asset Value Actuarial method
- c. Actuarial cost method Entry age normal
- d. Date of last experience study Sept 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
Average Real Return			4.75%
Inflation			3.00%
Long term expected return			<u>7.75%</u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability/(asset)	806,350	305,178	(106,821)

The City reported \$127,724 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,269	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	117,514	164,232
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	113,522	-
Total	<u>\$ 285,305</u>	<u>\$ 164,232</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (15,552)
2018	(15,552)
2019	(15,552)
2020	39,192
2021	9,816

(6) **COMMITMENTS AND CONTINGENCIES**

A. **Litigation**

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. **Grant Program Involvement**

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of Perry, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Taxes	\$ 980,907	\$ 76,987	\$ 1,057,894	\$ 1,423,662	\$ 365,768
Licenses & permits	17,700	-	17,700	48,967	31,267
Rents & royalties	96,205	-	96,205	73,576	(22,629)
Fines and forfeitures	239,251	31,579	270,830	201,979	(68,851)
Charges for services	799,205	71,623	870,828	413,850	(456,978)
Intergovernmental	556,301	911,624	1,467,925	63,840	(1,404,085)
Interest	2,400	-	2,400	2,675	275
Other revenues	60,000	810,696	870,696	439,707	(430,989)
Total revenues	<u>2,751,969</u>	<u>1,902,509</u>	<u>4,654,478</u>	<u>2,668,256</u>	<u>(1,986,222)</u>
EXPENDITURES					
General government:					
General government	740,792	-	740,792	736,652	4,140
Total general government	<u>740,792</u>	<u>-</u>	<u>740,792</u>	<u>736,652</u>	<u>4,140</u>
Public safety and judiciary:					
Police	1,477,527	166,500	1,644,027	1,640,979	3,048
Code enforcement	86,583	25,000	111,583	110,823	760
Animal control	65,149	300	65,449	65,424	25
Fire	386,216	4,000	390,216	389,818	398
Municipal court	130,576	5,000	135,576	135,362	214
Total public safety and judiciary	<u>2,146,051</u>	<u>200,800</u>	<u>2,346,851</u>	<u>2,342,406</u>	<u>4,445</u>
Transportation:					
Street	1,133,268	950,578	2,083,846	2,081,610	2,236
Total transportation	<u>1,133,268</u>	<u>950,578</u>	<u>2,083,846</u>	<u>2,081,610</u>	<u>2,236</u>
Cultural, parks and recreation:					
Parks	219,802	60,000	279,802	277,763	2,039
Library	302,944	-	302,944	279,149	23,795
Total cultural, parks and recreation	<u>522,746</u>	<u>60,000</u>	<u>582,746</u>	<u>556,912</u>	<u>25,834</u>
Ambulance:					
Ambulance	679,000	18,000	697,000	696,324	676
Total ambulance	<u>679,000</u>	<u>18,000</u>	<u>697,000</u>	<u>696,324</u>	<u>676</u>
Economic development					
Economic development	1,471,000	(124,300)	1,346,700	1,227,257	119,443
Total economic development	<u>1,471,000</u>	<u>(124,300)</u>	<u>1,346,700</u>	<u>1,227,257</u>	<u>119,443</u>
Total expenditures	<u>6,692,857</u>	<u>1,105,078</u>	<u>7,797,935</u>	<u>7,641,161</u>	<u>156,774</u>
Revenue over (under) expenditures	(3,940,888)	797,431	(3,143,457)	(4,972,905)	(2,142,996)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	3,500,000	(500,000)	3,000,000	4,714,268	1,714,268
Net other financing sources (uses)	<u>3,500,000</u>	<u>(500,000)</u>	<u>3,000,000</u>	<u>4,714,268</u>	<u>1,714,268</u>
Revenues and other financing sources over (under) expenditures and other uses	(440,888)	297,431	(143,457)	(258,637)	(428,728)
Fund balance at beginning of year (Non-GAAP budgetary basis), restated				1,716,958	1,716,958
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 1,458,321	<u>\$ 1,288,230</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				76,202	
Fund balance at end of year (GAAP basis)				<u>\$ 1,534,523</u>	

City of Perry, Oklahoma
Limited Purpose Sales Tax
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>REVENUES</u>					
Taxes	\$ 735,830	\$ 6,921	\$ 742,751	\$ 743,943	\$ 1,192
Total revenues	735,830	6,921	742,751	743,943	1,192
Revenue over (under) expenditures	735,830	6,921	742,751	743,943	1,192
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	(586,360)	-	(586,360)	(586,360)	-
Net other financing sources (uses)	(586,360)	-	(586,360)	(586,360)	-
Revenues and other financing sources over (under) expenditures and other uses	149,470	6,921	156,391	157,583	1,192
Fund balance at beginning of year (Non-GAAP budgetary basis)				799,502	799,502
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 957,085	\$ 800,694
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Accrual adjustment				(4,669)	
Fund balance at end of year (GAAP basis)				<u>\$ 952,416</u>	

City of Perry, Oklahoma
Street Improvement Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Taxes	\$ 588,664	\$ 5,537	\$ 594,201	\$ 595,154	\$ 953
Total revenues	588,664	5,537	594,201	595,154	953
EXPENDITURES					
Street Sales Tax					
Debt Service	903,348	-	903,348	518,380	384,968
Total general government	903,348	-	903,348	518,380	384,968
Revenues and other financing sources over (under) expenditures and other uses	(314,684)	5,537	(309,147)	76,774	(384,015)
Fund balance at beginning of year (Non-GAAP budgetary basis)				394,016	394,016
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 470,790	<u>\$ 394,016</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Taxes receivable				3,735	
Fund balance at end of year (GAAP basis)				<u>\$ 474,525</u>	

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.1543%	0.1730%
City's proportionate share of the net pension liability (asset)	\$ (51,937)	\$ 7,055
City's covered-employee payroll	\$ 821,697	\$ 887,538
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-6%	1%
Plan fiduciary net position as a percentage of the total pension liability	121.61%	100.00%

* The amounts presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 56,101	\$ 63,581
Contributions in relation to the contractually required contribution	<u>(56,101)</u>	<u>(63,581)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 821,697	\$ 887,538
Contributions as a percentage of covered-employee payroll	6.83%	7.16%

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.1453%	0.165428%
City's proportionate share of the net pension liability (asset)	\$ 1,718,753	\$ 1,755,868
City's covered-employee payroll	\$ 174,452	\$ 178,194
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	985%	985%
Plan fiduciary net position as a percentage of the total pension liability	-1232.14%	99.92%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 54,293	\$ 63,279
Contributions in relation to the contractually required contribution	<u>(54,293)</u>	<u>(63,279)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 174,452	\$ 178,194
Contributions as a percentage of covered-employee payroll	31.12%	35.51%

Schedules of Required Supplementary Information

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
SINCE INITIAL APPLICATION**

	<u>2015*</u>	<u>2016*</u>
Total pension liability		
Service cost	\$ 169,601	\$ 187,865
Interest	268,656	269,365
Changes in benefit terms	-	-
Differences between expected and actual experience	-	64,083
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(234,260)</u>	<u>(285,697)</u>
Net change in total pension liability	\$ 203,997	\$ 235,616
Total pension liability - beginning	<u>3,411,869</u>	<u>3,615,866</u>
Total pension liability - ending (a)	<u><u>\$ 3,615,866</u></u>	<u><u>\$ 3,851,482</u></u>
 Plan fiduciary net position		
Contributions - employer	150,352	151,273
Contributions - employee	71,511	75,753
Net investment income	496,111	98,575
Benefit payments, including refunds of employee contributions	<u>(234,260)</u>	<u>(285,697)</u>
Administrative expense	<u>(7,342)</u>	<u>(7,266)</u>
Other	-	-
Net change in plan fiduciary net position	<u>476,372</u>	<u>32,638</u>
 Plan fiduciary net position - beginning	<u>3,037,295</u>	<u>3,513,667</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 3,513,667</u></u>	<u><u>\$ 3,546,305</u></u>
 City's net pension liability - ending (a) - (b)	<u><u>\$ 102,199</u></u>	<u><u>\$ 305,177</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	97.17%	92.08%
Covered-employee payroll	\$ 1,744,183	\$ 2,473,953
City's net pension liability as a percentage of covered-employee payroll	5.86%	12.34%

Schedules of Required Supplementary Information

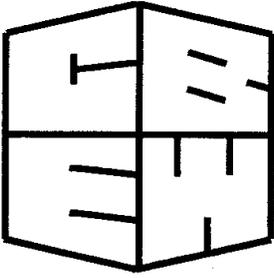
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
 Year Ended June 30, 2016

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.7402%	0.7259%
City's proportionate share of the net pension liability (asset)	\$ 102,199	\$ 305,177
City's covered-employee payroll	\$ 1,744,183	\$ 2,473,953
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.86%	12.34%
Plan fiduciary net position as a percentage of the total pension liability	87.99%	91.39%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Municipal Retirement Plan

	<u>2015*</u>	<u>2016*</u>
Actuarially determined contribution	\$ 150,352	\$ 151,273
Contributions in relation to the actuarially determined contribution	<u>(150,352)</u>	<u>(151,273)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,744,183	\$ 2,473,953
Contributions as a percentage of covered-employee payroll	8.62%	6.11%



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 15, 2016

Honorable City Council
City of Perry
Perry, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Perry, Oklahoma's basic financial statements, and have issued our report thereon dated November 15, 2016. Our report includes a reference to other auditors who audited the financial statements of the Perry Municipal Hospital Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Perry
November 15, 2016

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants